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C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 002892

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SUBJECT: BELGIANS URGED TO EXERCISE CAUTION ON IRAN TRADE;
FM DE GUCHT PLANNING SEPTEMBER 15 VISIT TO ESCORT RELEASED
BELGIAN HOSTAGE HOME

Classified By: Ambassador Sam Fox, Reasons 1.4 (b) and (d)

¶1. (C) Summary: Belgian FM De Gucht plans to visit Iran on September 15, 2007, according to MFA Secretary General Grauls, who told the Ambassador that the Minister wanted to escort home the Belgian citizen just released by Iranian criminals after being kidnapped one month ago. The Ambassador told Grauls on September 14 that it was important for Belgium to exercise caution toward trading with Iran, and urged Belgium to adopt strict limits on financial dealings with Iran. Although initially defensive toward the U.S. message, Grauls ended the meeting on a positive note, noting that dissidents with whom he met during a just concluded trip to Tehran had praised the international community for pressing the regime hard. End Summary.

¶2. (SBU) Ambassador Grauls' three visits to Teheran over the past month prompted the Ambassador to request a meeting to discuss the issue of trade with Iran. Although Grauls said the visits were largely connected to pressing the regime for assistance in securing the release of two Belgians kidnapped last month near the Pakistani border, Iranian-sourced press reports had suggested that the trips had a trade agenda too. The Belgian opened his September 14 meeting with Ambassador by referring to the successful outcome of his mission, a fact highlighted by an announcement earlier that day that the last remaining hostage had been freed. Continuing, he said he had taken note of several embassy inquiries about his visits.

¶3. (C) The Ambassador hailed the news of the hostage release, and praised Grauls' skill in helping to bring it about. He said he wanted Belgian leaders to be clear about U.S. views on trading with Iran. It was vital, he continued, for Belgium to adopt a more cautious approach toward trade with Iran. While hailing Belgium's successful chairmanship of the UN Security Council Sanctions Committee, the Ambassador said the international community needed to maintain a united approach toward dealing with Iran, particularly in the financial sector. Minimizing financial dealings with Iran would, he argued, make it easier to press the Iranians to live up to their obligations on the nuclear issue.

¶4. (C) Grauls professed himself to be mystified by recent embassy expressions of concern about Belgium's dealings with Iran. Responding to a comment, Grauls firmly denied an Iranian press report suggesting his first visit in mid-August had been connected to trade promotion, rather than to securing the release of the two captives. He asked pointedly if the USG was questioning his professional abilities to deal with a strictly bilateral issue without undercutting Belgium's commitment to upholding the international sanctions regime.

¶5. (C) The Ambassador made clear that the U.S. had absolutely no intention of questioning Grauls' honor or of devaluing the

long and positive bilateral relationship. That said, the Ambassador personally wanted to underscore the critical importance the U.S. attached to halting the Iranian nuclear program. Although Belgium was adhering closely to the internationally-mandated sanctions, the U.S. was simply urging all its friends to adopt a tougher, more skeptical approach toward the issue of trade with Iran. Sanctions were the only real tool available short of military action, and we needed to make them as tough as possible, he argued.

¶6. (C) Grauls' attitude warmed notably as the Ambassador outlined the depth of U.S. concern and the strength of the bilateral relationship. After noting that Belgian trade with Iran was small ("only .17% of our total trade"), Grauls and the Ambassador discussed the particular difficulties faced by the three Belgian banks operating in Iran (Fortis, KBC, and ING). The Ambassador indicated that the banks needed to exercise increased caution, especially since businesses would be looking for any loophole they could find in the sanctions regulations. Grauls did not respond directly, but noted that he had met with a delegation of dissidents during his most recent visit. They had denigrated arguments that sanctions actually strengthened the current regime. The dissidents had said that sanctions actually were weakening the regime.

¶7. (C) After the meeting ended, Grauls called the Ambassador to say that Belgian FM De Gucht would be visiting Teheran on September 15 to escort home the just-released hostage, a resident of the town where De Gucht served as mayor. While in Teheran, De Gucht planned to see Iranian FM Mottaki. He would avoid discussing the nuclear issue, Grauls said.

¶8. (C) Comment: The change in Grauls' attitude was especially evident at the end of the session, when he told the Ambassador he and his wife would be delighted to attend

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an October 2 dinner honoring William H. "Bucky" Bush and his wife Patty, the President's uncle and aunt. Also of interest to us was FM De Gucht's obvious interest in the Ambassador's meeting. He twice interrupted the meeting to speak with Grauls, once in person and once by telephone. Fox

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